

**Letters of Findings Number: 03-20130173P**  
**Withholding Tax – Negligence Penalty**  
**For the Period 2010**

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**ISSUE**

**I. Tax Administration–Negligence Penalty.**

**Authority:** IC § 6-8.1-10-2.1; IC § 6-8.1-5-1; [45 IAC 15-11-2](#).

Taxpayer protests the imposition of the ten percent negligence penalty.

**STATEMENT OF FACTS**

Taxpayer is a Pennsylvania company that does business in Indiana. Taxpayer made a nonresident withholding tax payment for the 2010 tax year on April 15, 2011, which is thirty-one days after the tax was due. The Indiana Department of Revenue ("Department") issued a ten-percent penalty, which Taxpayer protested.

**I. Tax Administration–Negligence Penalty.**

**DISCUSSION**

Taxpayer argues that it is entitled to abatement of the penalty for the late payment of withholding tax.

IC § 6-8.1-10-2.1 states in relevant part:

(a) If a person:

(1) fails to file a return for any of the listed taxes;

**(2) fails to pay the full amount of tax shown on the person's return on or before the due date for the return or payment;**

(3) incurs, upon examination by the department, a deficiency that is due to negligence;

(4) fails to timely remit any tax held in trust for the state; or

(5) is required to make a payment by electronic funds transfer (as defined in [IC 4-8.1-2-7](#)), overnight courier, or personal delivery and the payment is not received by the department by the due date in funds acceptable to the department;

the person is subject to a penalty.

(b) Except as provided in subsection (g), the penalty described in subsection (a) is ten percent (10 [percent]) of:

(1) the full amount of the tax due if the person failed to file the return;

(2) the amount of the tax not paid, if the person filed the return but failed to pay the full amount of the tax shown on the return;

(3) the amount of the tax held in trust that is not timely remitted;

(4) the amount of deficiency as finally determined by the department; or

(5) the amount of tax due if a person failed to make payment by electronic funds transfer, overnight courier, or personal delivery by the due date. (**Emphasis added**).

Under IC § 6-8.1-5-1(c), "The burden of proving that the proposed assessment is wrong rests with the person against whom the proposed assessment is made." An assessment – including the negligence penalty – is presumptively valid.

Departmental regulation [45 IAC 15-11-2](#)(b) defines negligence as "the failure to use such reasonable care, caution, or diligence as would be expected of an ordinary reasonable taxpayer." Negligence is to "be determined on a case-by-case basis according to the facts and circumstances of each taxpayer." Id.

IC § 6-8.1-10-2.1(d) allows the Department to waive the penalty upon a showing that the failure to pay the deficiency was based on "reasonable cause and not due to willful neglect." Departmental regulation [45 IAC 15-11-2](#)(c) requires that in order to establish "reasonable cause," the taxpayer must demonstrate that it "exercised ordinary business care and prudence in carrying out or failing to carry out a duty giving rise to the penalty imposed . . . ."

Taxpayer paid the tax after the tax was due because Taxpayer claims it was only able to obtain the information in order to calculate its federal taxable income for the 2010 tax year by that date; further, Taxpayer was finally able to file for the federal tax return extension by this point. Taxpayer makes further arguments that are based on equity. However, this is the fourth time in five years that Taxpayer has made a late payment. Further, an extension only extends the filing of the return, and not the payment of tax. Based on the circumstances presented by Taxpayer in this case, Taxpayer has not provided sufficient information to conclude that it acted reasonably with regard to its late payment of withholding tax payment in this particular instance only.

**FINDING**

Taxpayer's protest is respectfully denied.

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